

**CORPORATE INTEGRITY AGREEMENT
BETWEEN THE
OFFICE OF INSPECTOR GENERAL
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
PROFESSIONAL MEDICAL TRANSPORT
AND
MICHAEL BAKER**

I. PREAMBLE

Professional Medical Transport and Michael Baker (hereinafter collectively referred to as “PMT”) hereby enter into this Corporate Integrity Agreement (“CIA”) with the Office of Inspector General (“OIG”) of the United States Department of Health and Human Services (“HHS”) to promote compliance by its owners, operators, employees, and other health care professionals, as well as all third parties with whom PMT may choose to engage to act as billing or coding agents or consultants for PMT, with the requirements of Medicare, Medicaid and all other Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f))(hereinafter collectively referred to as the “Federal health care programs”). PMT’s compliance with the terms and conditions in this CIA shall constitute an element of PMT’s present responsibility with regard to participation in the Federal health care programs. Contemporaneously with this CIA, PMT is entering

into a Settlement Agreement with the United States, and this CIA is incorporated by reference into the Settlement Agreement.

II. TERM OF THE CIA

The period of the compliance obligations assumed by PMT under this CIA shall be five (5) years. The effective date of this CIA will be the date there is a the final signatory of this CIA and the Bankruptcy Court approves the Settlement Agreement which incorporates this CIA by reference (the “effective date”).

Sections VII, VIII, IX, X and XI shall remain in effect until PMT submits all information required by OIG as part of the final Annual Report.

III. CORPORATE INTEGRITY OBLIGATIONS

PMT shall establish a compliance program that includes the following elements.

A. Compliance Officer.

Within ninety (90) days after the effective date of this CIA, PMT shall appoint an individual to serve as Compliance Officer, who shall be responsible for developing and implementing policies, procedures, and practices designed to ensure compliance with the requirements set forth in this CIA and with the requirements of the Federal health care programs. The Compliance Officer shall be a member of senior management of PMT and shall make regular (at least quarterly) written reports regarding compliance matters directly to the CEO and/or to the Board of Directors of PMT. The Compliance Officer shall be responsible for monitoring the day-to-day activities engaged in by PMT to

further its compliance objectives as well as any reporting obligations created under this CIA. In the event a new Compliance Officer is appointed during the term of this CIA, PMT shall notify the OIG, in writing, within fifteen (15) days of such a change.

B. Written Standards.

1. *Code of Conduct.* Within ninety (90) days of the effective date of this CIA, PMT shall establish a Code of Conduct. The Code of Conduct shall be distributed to all employees, contractors, and agents within ninety (90) days of the effective date of this CIA. PMT shall make the promotion of, and adherence to, the Code of Conduct an element in evaluating the performance of managers, supervisors, and all other employees. The Code of Conduct shall, at a minimum, set forth:

- a. PMT's commitment to full compliance with all statutes, regulations, and guidelines applicable to Federal health care programs, including its commitment to prepare and submit accurate billings consistent with Federal health care program regulations and procedures or instructions otherwise communicated by the Health Care Financing Administration ("HCFA") (or other appropriate regulatory agencies) and/or its agents;
- b. PMT's requirement that all of its employees, contractors, and agents shall be expected to comply with all statutes, regulations, and guidelines applicable to Federal health care programs and with

PMT's own policies and procedures (including the requirements of this CIA);

- c. the requirement that all of PMT's employees, contractors, and agents shall be expected to report suspected violations of any statute, regulation, or guideline applicable to Federal health care programs or of PMT's own policies and procedures;
- d. the possible consequences to both PMT and to any employee, contractor, or agent of failure to comply with all statutes, regulations, and guidelines applicable to Federal health care programs and with PMT's own policies and procedures or of failure to report such non-compliance; and
- e. the right of all employees, contractors, or agents to use the confidential disclosure program, as well as PMT's commitment to confidentiality and non-retaliation with respect to disclosures.

Within ninety (90) days of the effective date of the CIA, each employee, contractor, and agent shall certify, in writing, that he or she has received, read, understands, and will abide by PMT's Code of Conduct. New employees, contractors and agents shall receive the Code of Conduct and shall complete the required certification within two (2) weeks after the commencement of their employment or contract, or within ninety (90) days of the effective date of the CIA, whichever is later.

PMT will annually review the Code of Conduct and will make any necessary revisions. These revisions shall be distributed within thirty (30) days of initiating such a change. Employees, contractors, and agents shall certify on an annual basis that they have received, read, understand and will abide by the Code of Conduct.

2. *Policies and Procedures.* Within ninety (90) days of the effective date of this CIA, PMT shall develop and initiate implementation of written Policies and Procedures regarding the operation of PMT's compliance program and its compliance with all Federal and state health care statutes, regulations, and guidelines, including the requirements of the Federal health care programs. At a minimum, the Policies and Procedures shall: (i) specifically address the rules and regulations that specify when ambulance service is medically necessary and when ambulance services may be billed to the Federal health care programs; and (ii) require that PMT accept assignment for any services rendered to Medicare beneficiaries (PMT shall also execute whatever documentation is required to ensure that HCFA and/or its carriers or intermediaries are aware that PMT is now accepting assignment). In addition, the Policies and Procedures shall include disciplinary guidelines and methods for employees to make disclosures or otherwise report on compliance issues to PMT's management through the Confidential Disclosure Program required by section III.E. PMT shall assess and update as necessary the Policies and Procedures at least annually and more frequently, as appropriate. A

summary of the Policies and Procedures will be provided to OIG in the Implementation Report. The Policies and Procedures will be available to OIG upon request.

Within ninety (90) days of the effective date of the CIA, the relevant portions of the Policies and Procedures shall be distributed to all appropriate employees, contractors, and agents. Compliance staff or supervisors should be available to explain any and all policies and procedures.

C. Training and Education.

1. *General Training.* Within ninety (90) days of the effective date of this CIA, PMT shall provide at least two (2) hours of training to each employee, contractor and agent. This general training shall explain PMT's:

- a. Corporate Integrity Agreement requirements;
- b. Compliance Program (including the Policies and Procedures as they pertain to general compliance issues); and
- c. Code of Conduct.

These training material shall be made available to the OIG, upon request.

New employees, contractors, and agents shall receive the general training described above within thirty (30) days of the beginning of their employment or contract or within ninety (90) days after the effective date of this CIA, whichever is later. Each year, every employee, contractor and agent shall receive such general training on an annual basis.

2. *Specific Training.* Within ninety (90) days of the effective date of this CIA, each employee who is involved directly or indirectly in the delivery of patient care and/or in the preparation or submission of claims for reimbursement for such care (including, but not limited to, coding and billing) for any Federal health care programs shall receive at least six (6) hours of training in addition to the general training required above. This training shall include a discussion of:

- a. the submission of accurate bills for services rendered to Medicare and/or Medicaid patients;
- b. policies, procedures and other requirements applicable to the documentation of records;
- c. the personal obligation of each individual involved in the billing process to ensure that such billings are accurate;
- d. applicable reimbursement rules and statutes, including rules and regulations regarding medical necessity;
- e. the legal sanctions for improper billings;
- f. examples of proper and improper billing practices; and
- g. the policies that require PMT to accept assignment for all Medicare beneficiaries.

These training materials shall be made available to OIG, upon request. Persons providing the training must be knowledgeable about the subject area.

Affected new employees, contractors and agents shall receive this training within thirty (30) days of the beginning of their employment or contract or within ninety (90) days of the effective date of this CIA, whichever is later. If a new employee, contractor or agent has any responsibility for the delivery of patient care, the preparation or submission of claims and/or the assignment of procedure codes prior to completing this specific training, a PMT employee, contractor, or agent who has completed the substantive training shall review all of the untrained person's work regarding the assignment of billing codes, submission of claims, or delivery of patient care.

Each year, every employee, contractor and agent shall receive such specific training on an annual basis.

3. *Certification.* Each employee, contractor and agent shall certify, in writing, that he or she has attended the required training. The certification shall specify the type of training received and the date received. The Compliance Officer shall retain the certifications, along with specific course materials. These shall be made available to OIG upon request.

D. Review Procedures.

PMT shall retain an entity, such as an accounting, auditing or consulting firm (hereinafter "Independent Review Organization"), to perform review procedures to assist PMT in assessing the adequacy of its billing and compliance practices pursuant to this CIA. This shall be an annual requirement and shall cover a twelve (12) month period.

The Independent Review Organization must have expertise in the billing, coding, reporting and other requirements of the Federal health care programs from which PMT seeks reimbursement. The Independent Review Organization must be retained to conduct the audit of the first year within ninety (90) days of the effective date of this CIA.

The Independent Review Organization will conduct two separate engagements. One will be an analysis of PMT's billing to the Federal health care programs to assist the PMT and OIG in determining compliance with all applicable statutes, regulations, and directives/guidance ("billing engagement"). The second engagement will determine whether PMT is in compliance with this CIA ("compliance engagement").

1. *Billing Engagement.* The billing engagement shall consist of a review of a statistically valid sample of claims that can be projected to the population of claims for the relevant period. The sample size shall be determined through the use of a probe sample. At a minimum, the full sample must be within a ninety (90) percent confidence level and a precision of twenty-five (25) percent. The probe sample must contain at least thirty (30) sample units and cannot be used as part of the full sample. Both the probe sample and the sample must be selected through random numbers. PMT shall use OIG's Office of Audit Services Statistical Sampling Software, also known as "RAT-STATS," which is available through the Internet at "<http://www.hhs.gov/oas/ratstat.html>".

Each annual billing engagement analysis shall include the following components in its methodology:

- a. Billing Engagement Objective: A statement stating clearly the objective intended to be achieved by the billing engagement and the procedure or combination of procedures that will be applied to achieve the objective.
- b. Billing Engagement Population: Identify the population, which is the group about which information is needed. Explain the methodology used to develop the population and provide the basis for this determination.
- c. Sources of Data: Provide a full description of the source of the information upon which the billing engagement conclusions will be based, including the legal or other standards applied, documents relied upon, payment data, and/or any contractual obligations.
- d. Sampling Unit: Define the sampling unit, which is any of the designated elements that comprise the population of interest.
- e. Sampling Frame: Identify the sampling frame, which is the totality of the sampling units from which the sample will be selected.

The billing engagement shall provide:

- a. findings regarding PMT's billing and coding operation
(including, but not limited to, the operation of the billing system,
strengths and weaknesses of this system, internal controls,
effectiveness of the system);
- b. findings regarding whether PMT is submitting accurate claims for
services billed to the Federal health care programs.
- c. findings regarding PMT's procedures to correct inaccurate
billings or codings to the Federal health care programs;
- d. findings regarding whether ambulance services billed to the
Federal health care programs were medically necessary;
- e. findings regarding whether PMT accepted assignment for
ambulance services provided to Medicare beneficiaries; and
- f. findings regarding the steps PMT is taking to bring its operations
into compliance or to correct problems identified by the audit;

2. *Compliance Engagement.* An Independent Review Organization shall also conduct a compliance engagement, that shall provide findings regarding whether PMT's program, policies, procedures, and operations comply with the terms of this CIA. This engagement shall include section by section findings regarding the requirements of this CIA.

A complete copy of the Independent Review Organization's billing and compliance engagement shall be included in each of PMT Annual Reports to OIG.

3. *Verification/Validation.* In the event that the OIG determines that it is necessary to conduct an independent review to determine whether or the extent to which PMT is complying with its obligations under this CIA, PMT agrees to pay for the reasonable cost of any such review or engagement by the OIG or any of its designated agents.

E. Confidential Disclosure Program.

Within ninety (90) days after the effective date of this CIA, PMT shall establish a Confidential Disclosure Program, which must include measures (e.g., a toll-free compliance telephone line) to enable employees, contractors, agents or other individuals to disclose, to the Compliance Officer or some other person who is not in the reporting individual's chain of command, any identified issues or questions associated with PMT's policies, practices or procedures with respect to the Federal health care program, believed by the individual to be inappropriate. PMT shall publicize the existence of the hotline (e.g., e-mail to employees or post hotline number in prominent common areas).

The Confidential Disclosure Program shall emphasize a non-retribution, non-retaliation policy, and shall include a reporting mechanism for anonymous, confidential communication. Upon receipt of a complaint, the Compliance Officer (or designee) shall gather the information in such a way as to elicit all relevant information from the

individual reporting the alleged misconduct. The Compliance Officer (or designee) shall make a preliminary good faith inquiry into the allegations set forth in every disclosure to ensure that he or she has obtained all of the information necessary to determine whether a further review should be conducted. For any disclosure that is sufficiently specific so that it reasonably: (1) permits a determination of the appropriateness of the alleged improper practice; and (2) provides an opportunity for taking corrective action, PMT shall conduct an internal review of the allegations set forth in such a disclosure and ensure that proper follow-up is conducted.

The Compliance Officer shall maintain a confidential disclosure log, which shall include a record and summary of each allegation received, the status of the respective investigations, and any corrective action taken in response to the investigation.

F. Ineligible Persons.

1. *Definition.* For purposes of this CIA, an “Ineligible Person” shall be any individual or entity who: (a) is currently excluded, debarred or otherwise ineligible to participate in the Federal health care programs or in Federal procurement or non-procurement programs; or (b) has been convicted of a criminal offense related to the provision of health care items or services, but has not yet been excluded, debarred or otherwise declared ineligible.

2. *Screening Requirements.* PMT shall not hire or engage as contractors any Ineligible Person. To prevent hiring or contracting with any Ineligible Person, PMT

shall screen all prospective employees and prospective contractors prior to engaging their services by: (a) requiring applicants to disclose whether they are Ineligible Persons; and (b) reviewing the General Services Administration's List of Parties Excluded from Federal Programs (available through the Internet at <http://epls.arnet.gov>) and the HHS/OIG List of Excluded Individuals/Entities (available through the Internet at <http://www.hhs.gov/oig>) (these lists will hereinafter be referred to as the "Exclusion Lists").

3. *Review and Removal Requirement.* Within ninety (90) days of the effective date of this CIA, PMT shall review its list of current employees and contractors against the Exclusion Lists. Thereafter, PMT shall review the list semi-annually. In addition, PMT shall require employees, agents, and contractors to disclose immediately any debarment, exclusion or other event that makes the employee an Ineligible Person.

If PMT has notice that an employee or contractor has become an Ineligible Person, PMT shall remove such person from responsibility for, or involvement with, PMT's business operations related to the Federal health care programs and shall remove such person from any position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Federal health care programs or otherwise with Federal funds at least until such time as the person is reinstated into participation in the Federal health care programs.

4. *Pending Charges and Proposed Exclusions.* If PMT has notice that an employee or contractor is charged with a criminal offense related to any Federal health care program, or is proposed for exclusion during his or her employment or contract, PMT shall take all appropriate actions to ensure that the responsibilities of that employee or contractor have not and shall not adversely affect the quality of care rendered to any beneficiary, patient or resident, or the accuracy of any claims submitted to any Federal health care program.

G. Notification of Proceedings.

Within thirty (30) days of discovery, PMT shall notify OIG, in writing, of any ongoing investigation or legal proceeding conducted or brought by a governmental entity or its agents involving an allegation that PMT has committed a crime or has engaged in fraudulent activities or any other knowing misconduct. This notification shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding. PMT shall also provide written notice to OIG within thirty (30) days of the resolution of the matter, and shall provide OIG with a description of the findings and/or results of the proceedings, if any.

H. Reporting.

1. *Overpayments.*

a. *Definition of Overpayments.* For purposes of this CIA, an “overpayment” shall mean the amount of money PMT has received

in excess of the amount due and payable under any Federal health care program requirements. PMT may not subtract any underpayments for purposes of determining the amount of relevant “overpayments.”

b. Reporting of Overpayments. If, at any time, PMT identifies or learns of any overpayments, PMT shall notify the payor (e.g., Medicare fiscal intermediary or carrier) and repay any identified overpayments within thirty (30) days of discovery and take remedial steps within sixty (60) days of discovery (or such additional time as may be agreed to by the payor) to correct the problem, including preventing the underlying problem and the overpayments from recurring. Notification and repayment to the contractor should be done in accordance with the contractor policies, and for Medicare contractors, must include the information contained on the Overpayment Refund Form, provided as Attachment One to this CIA.

2. Material Deficiencies.

a. Definition of Material Deficiency. For purposes of this CIA, a “Material Deficiency” means anything that involves:

- (i) a substantial overpayment; or

(ii) a matter that a reasonable person would consider a potential violation of criminal, civil, or administrative laws applicable to any Federal health care program for which penalties or exclusion may be authorized.

A Material Deficiency may be the result of an isolated event or a series of occurrences.

b. Reporting of Material Deficiencies. If PMT determines that there is a Material Deficiency, PMT shall notify OIG, in writing, within thirty (30) days of making the determination that the Material Deficiency exists. The report to the OIG shall include the following information:

(i) If the Material Deficiency results in an overpayment, the report to the OIG shall be made at the same time as the notification to the payor required in section III.H.1, and shall include all of the information on the Overpayment Refund Form, as well as:

(A) the payor's name, address, and contact person to whom the overpayment was sent; and

- (B) the date of the check and identification number (or electronic transaction number) on which the overpayment was repaid/refunded;
- (ii) a complete description of the Material Deficiency, including the relevant facts, persons involved, and legal and Federal health care program authorities implicated;
- (iii) a description of PMT's actions taken to correct the Material Deficiency; and
- (iv) any further steps PMT plans to take to address the Material Deficiency and prevent it from recurring.

IV. NEW LOCATIONS

In the event that PMT purchases or establishes new business units after the effective date of this CIA, PMT shall notify OIG of this fact within thirty (30) days of the date of purchase or establishment. This notification shall include the location of the new operation(s), phone number, fax number, Federal health care program provider number(s) (if any), and the corresponding payor(s) (contractor specific) that has issued each provider number. All employees at such locations shall be subject to the requirements in this CIA that apply to new employees (e.g., completing certifications and undergoing training).

V. **IMPLEMENTATION AND ANNUAL REPORTS**

A. **Implementation Report.** Within one hundred and twenty (120) days after the effective date of this CIA, PMT shall submit a written report to OIG summarizing the status of its implementation of the requirements of this CIA. This Implementation Report shall include:

1. the name, address, phone number and position description of the Compliance Officer required by section III.A;
2. a copy of PMT's Code of Conduct required by section III.B.1;
3. the summary of the Policies and Procedures required by section III.B.2;
4. a description of the training programs required by section III.C including a description of the targeted audiences and a schedule of when the training sessions were held;
5. a certification by the Compliance Officer that:
 - a. the Policies and Procedures required by section III.B.2 have been developed, are being implemented, and have been distributed to all pertinent employees, contractors, and agents;
 - b. all employees, contractors, and agents have completed the Code of Conduct certification required by section III.B.1; and
 - c. all employees, contractors and agents have completed the training and executed the certification required by section III.C.3;

6. a description of the confidential disclosure program required by section III.E;
7. the identity of the Independent Review Organization(s) and the proposed start and completion date of the first audit; and
8. a summary of personnel actions taken pursuant to section III.F.

B. Annual Reports. PMT shall submit to OIG an Annual Report with respect to the status and findings of PMT compliance activities.

The Annual Reports shall include:

1. any change in the identity or position description of the Compliance Officer described in section III.A;
2. a certification by the Compliance Officer that:
 - a. all employees, contractors, and agents have completed the annual Code of Conduct certification required by section III.B.1; and
 - b. all employees, contractors and agents have completed the training and executed the certification required by section III.C.
3. notification of any changes or amendments to the Policies and Procedures required by section III.B.2 and the reasons for such changes (e.g., change in contractor policy);

4. a complete copy of the report prepared pursuant to the Independent Review Organization's billing and compliance engagement, including a copy of the methodology used.
5. PMT's response/corrective action plan to any issues raised by the Independent Review Organization.
6. a summary of material deficiencies reported throughout the course of the previous twelve (12) months pursuant to III.H.
7. a report of the aggregate overpayments that have been returned to the Federal health care programs that were discovered as a direct or indirect result of implementing this CIA. Overpayment amounts should be broken down into the following categories: Medicare, Medicaid (report each applicable state separately) and other Federal health care programs;
8. a copy of the confidential disclosure log required by section III.E;
9. a description of any personnel action (other than hiring) taken by PMT as a result of the obligations in section III.F;
10. a summary describing any ongoing investigation or legal proceeding conducted or brought by a governmental entity involving an allegation that PMT has committed a crime or has engaged in fraudulent activities, which have been reported pursuant to section III.G. The statement shall include a description of the allegation, the identity of the investigating or prosecuting

agency, and the status of such investigation, legal proceeding or requests for information;

11. a corrective action plan to address the probable violations of law identified in section III.H; and

12. a listing of all of the PMT locations (including locations and mailing addresses), the corresponding name under which each location is doing business, the corresponding phone numbers and fax numbers, each location's Federal health care program provider identification number(s) and the payor (specific contractor) that issued each provider identification number.

The first Annual Report shall be received by the OIG no later than one year and thirty (30) days after the effective date of this CIA. Subsequent Annual Reports shall be submitted no later than the anniversary date of the due date of the first Annual Report.

C. Certifications. The Implementation Report and Annual Reports shall include a certification by the Compliance Officer under penalty of perjury, that: (1) PMT is in compliance with all of the requirements of this CIA, to the best of his or her knowledge; and (2) the Compliance Officer has reviewed the Report and has made reasonable inquiry regarding its content and believes that, upon such inquiry, the information is accurate and truthful.

VI. NOTIFICATIONS AND SUBMISSION OF REPORTS

Unless otherwise stated in writing subsequent to the effective date of this CIA, all notifications and reports required under this CIA shall be submitted to the entities listed below:

OIG:

Civil Recoveries Branch - Compliance Unit
Office of Counsel to the Inspector General
Office of Inspector General
U.S. Department of Health and Human Services
Cohen Building, Room 5527
330 Independence Avenue, SW
Washington, DC 20201
Phone 202.619.2078
Fax 202.205.0604

PMT:

2405 South Industrial Park
Tempe, Arizona 85282
Phone 480.804.7400
Fax 480.425.0279

VII. OIG INSPECTION, AUDIT AND REVIEW RIGHTS

In addition to any other rights OIG may have by statute, regulation, or contract, OIG or its duly authorized representative(s), may examine and photocopy PMT's books, records, and other documents and supporting materials for the purpose of verifying and evaluating: (a) PMT's compliance with the terms of this CIA; and (b) PMT's compliance with the requirements of the Federal health care programs in which it participates. The documentation described above shall be made available by PMT to

OIG or its duly authorized representative(s) at all reasonable times for inspection, audit or reproduction. Furthermore, for purposes of this provision, OIG or its duly authorized representative(s) may interview any of PMT's employees, contractors, or agents who consent to be interviewed at the employee's place of business during normal business hours or at such other place and time as may be mutually agreed upon between the employee, contractor or agents and OIG, and taking into account the nature of the emergency response business. PMT agrees to assist OIG in contacting and arranging interviews with such employees, contractors, or agents upon OIG's request. PMT employees may elect to be interviewed with or without a representative of PMT present.

VIII. DOCUMENT AND RECORD RETENTION

PMT shall maintain for inspection all documents and records relating to reimbursement from the Federal health care programs or to compliance with this CIA, one year longer than the term of this CIA (or longer if otherwise required by law).

IX. DISCLOSURES

Subject to HHS's Freedom of Information Act ("FOIA") procedures, set forth in 45 C.F.R. Part 5, the OIG shall make a reasonable effort to notify PMT prior to any release by OIG of information submitted by PMT pursuant to its obligations under this CIA and identified upon submission by PMT as trade secrets, commercial or financial information and privileged and confidential under the FOIA rules. PMT shall refrain from identifying any information as trade secrets, commercial or financial information

and privileged and confidential that does not meet the criteria for exemption from disclosure under FOIA.

X. BREACH AND DEFAULT PROVISIONS

PMT is expected to fully and timely comply with all of the obligations herein throughout the term of this CIA or other time frames herein agreed to.

A. Stipulated Penalties for Failure to Comply with Certain Obligations. As a contractual remedy, PMT and OIG hereby agree that failure to comply with certain obligations set forth in this CIA may lead to the imposition of the following monetary penalties (hereinafter referred to as “Stipulated Penalties”) in accordance with the following provisions.

1. A Stipulated Penalty of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day, beginning ninety (90) days after the effective date of this CIA and concluding at the end of the term of this CIA, PMT fails to have in place any of the following:

- a. a Compliance Officer;
- b. written Code of Conduct;
- c. written Policies and Procedures;
- d. a Training Program; and
- e. a Confidential Disclosure Program;

2. A Stipulated Penalty of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day PMT fails meet any of the deadlines to submit the Implementation Report or the Annual Reports to the OIG.

3. A Stipulated Penalty of \$2,000 (which shall begin to accrue on the date the failure to comply began) for each day PMT employs or contracts with an Ineligible Person and that person: (i) has responsibility for, or involvement with, PMT's business operations related to the Federal health care programs; or (ii) is in a position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Federal health care programs or otherwise with Federal funds (the Stipulated Penalty described in this paragraph shall not be demanded for any time period during which PMT can demonstrate that it did not discover the person's exclusion or other ineligibility after making a reasonable inquiry (as described in section III.F) as to the status of the person) or PMT or allows an Ineligible person to have an ownership interest (by debt or equity) in PMT.

4. A Stipulated Penalty of \$1,500 (which shall begin to accrue on the date the PMT fails to grant access) for each day PMT fails to grant access to the information or documentation as required in section VII of this CIA.

5. A Stipulated Penalty of \$1,000 (which shall begin to accrue ten (10) days after the date that OIG provides notice to PMT of the failure to comply) for each day PMT fails to comply fully and adequately with any obligation of this CIA. In its

notice to PMT, the OIG shall state the specific grounds for its determination that the PMT has failed to comply fully and adequately with the CIA obligation(s) at issue.

B. Payment of Stipulated Penalties.

1. *Demand Letter.* Upon a finding that PMT has failed to comply with any of the obligations described in section X.A and determining that Stipulated Penalties are appropriate, OIG shall notify PMT by personal service or certified mail of: (a) PMT's failure to comply; and (b) the OIG's exercise of its contractual right to demand payment of the Stipulated Penalties (this notification is hereinafter referred to as the "Demand Letter").

Within fifteen (15) days of the date of the Demand Letter, PMT shall either: (a) cure the breach to the OIG's satisfaction and pay the applicable stipulated penalties; or (b) request a hearing before an HHS administrative law judge ("ALJ") to dispute the OIG's determination of noncompliance, pursuant to the agreed upon provisions set forth below in section X.D. In the event PMT elects to request an ALJ hearing, the Stipulated Penalties shall continue to accrue until PMT cures, to the OIG's satisfaction, the alleged breach in dispute. Failure to respond to the Demand Letter in one of these two manners within the allowed time period shall be considered a material breach of this CIA and shall be grounds for exclusion under section X.C.

2. *Timely Written Requests for Extensions.* PMT may submit a timely written request for an extension of time to perform any act or file any notification or

report required by this CIA. Notwithstanding any other provision in this section, if OIG grants the timely written request with respect to an act, notification, or report, Stipulated Penalties for failure to perform the act or file the notification or report shall not begin to accrue until one day after PMT fails to meet the revised deadline as agreed to by the OIG-approved extension. Notwithstanding any other provision in this section, if OIG denies such a timely written request, Stipulated Penalties for failure to perform the act or file the notification or report shall not begin to accrue until two (2) business days after PMT receives OIG's written denial of such request or the original deadline, whichever is later. A "timely written request" is defined as a request in writing received by OIG at least five (5) business days prior to the date by which any act is due to be performed or any notification or report is due to be filed. If PMT is requesting a payment schedule for the Stipulated Penalties, then within fifteen (15) days of the date of the demand letter, PMT shall sign a promissory note acknowledging that PMT owes the amount demanded, submit a proposed payment schedule, and submit the most recent PMT Federal tax filing along with the past six (6) months of financial statements.

3. *Form of Payment.* Payment of the Stipulated Penalties shall be made by certified or cashier's check, payable to "Secretary of the Department of Health and Human Services," and submitted to OIG at the address set forth in section VI.

4. *Independence from Material Breach Determination.* Except as otherwise noted, these provisions for payment of Stipulated Penalties shall not affect or

otherwise set a standard for the OIG's determination that PMT has materially breached this CIA, which decision shall be made at the OIG's discretion and governed by the provisions in section X.C, below.

C. Exclusion for Material Breach of this CIA

1. *Notice of Material Breach and Intent to Exclude.* The parties agree that a material breach of this CIA by PMT constitutes an independent basis for PMT's exclusion from participation in the Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)). Nothing in this section shall be read to prevent the OIG from determining that only the company, only the individual, or both the individual and the company should be excluded. Upon a determination by OIG that PMT has materially breached this CIA and that exclusion should be imposed, the OIG shall notify PMT by certified mail of: (a) PMT's material breach; and (b) OIG's intent to exercise its contractual right to impose exclusion (this notification is hereinafter referred to as the "Notice of Material Breach and Intent to Exclude").

2. *Opportunity to cure.* PMT shall have thirty five (35) days from the date of the Notice of Material Breach and Intent to Exclude to demonstrate to the OIG's satisfaction that:

- a. PMT is in full compliance with this CIA;
- b. the alleged material breach has been cured; or

- c. the alleged material breach cannot be cured within the 35-day period, but that: (i) PMT has begun to take action to cure the material breach; (ii) PMT is pursuing such action with due diligence; and (iii) PMT has provided to OIG a reasonable timetable for curing the material breach.

3. *Exclusion Letter.* If at the conclusion of the thirty five (35) day period, PMT fails to satisfy the requirements of section X.C.2, OIG may exclude PMT from participation in the Federal health care programs. OIG will notify PMT in writing of its determination to excluded PMT (this letter shall be referred to hereinafter as the “Exclusion Letter”). Subject to the Dispute Resolution provisions in section X.D, below, the exclusion shall go into effect thirty (30) days after the date of the Exclusion Letter. The exclusion shall have national effect and will also apply to all other Federal procurement and non-procurement programs. If PMT is excluded under the provisions of this CIA, PMT may seek reinstatement pursuant to the provisions at 42 C.F.R. §§ 1001.3001-.3004.

4. *Material Breach.* A material breach of this CIA means:

- a. a failure by PMT to report a material deficiency, take corrective action and pay the appropriate refunds, as provided in section III.H;

- b. repeated or flagrant violations of the obligations under this CIA, including, but not limited to, the obligations addressed in section X.A of this CIA;
- c. a failure to respond to a Demand letter concerning the payment of Stipulated Penalties in accordance with section X.B above; or
- d. a failure to retain and use an Independent Review Organization for review purposes in accordance with section III.D.

D. Dispute Resolution

1. *Review Rights.* Upon the OIG's delivery to PMT of its Demand Letter or of its Exclusion Letter, and as an agreed-upon contractual remedy for the resolution of disputes arising under the obligation of this CIA, PMT shall be afforded certain review rights comparable to the ones that are provided in 42 U.S.C. § 1320a-7(f) and 42 C.F.R. § 1005 as if they applied to the Stipulated Penalties or exclusion sought pursuant to this CIA. Specifically, the OIG's determination to demand payment of Stipulated Penalties or to seek exclusion shall be subject to review by an ALJ and, in the event of an appeal, the Departmental Appeals Board ("DAB"), in a manner consistent with the provisions in 42 C.F.R. §§ 1005.2-1005.21. Notwithstanding the language in 42 C.F.R. § 1005.2(c), the request for a hearing involving Stipulated Penalties shall be made within fifteen (15) days of the date of the Demand Letter and the request for a hearing involving exclusion shall be made within thirty (30) days of the date of the Exclusion Letter.

2. *Stipulated Penalties Review.* Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for Stipulated Penalties under this CIA shall be: (a) whether PMT was in full and timely compliance with the obligations of this CIA for which the OIG demands payment; and (b) the period of noncompliance. PMT shall have the burden of proving its full and timely compliance and the steps taken to cure the noncompliance, if any. If the ALJ finds for the OIG with regard to a finding of a breach of this CIA and orders PMT to pay Stipulated Penalties, such Stipulated Penalties shall become due and payable twenty (20) days after the ALJ issues such a decision notwithstanding that PMT may request review of the ALJ decision by the DAB.

3. *Exclusion Review.* Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for exclusion based on a material breach of this CIA shall be: (a) whether PMT was in material breach of this CIA; (b) whether such breach was continuing on the date of the Exclusion Letter; and (c) the alleged material breach cannot be cured within the 35 day period, but that: (i) PMT has begun to take action to cure the material breach; (ii) PMT is pursuing such action with due diligence; and (iii) PMT has provided to OIG a reasonable timetable for curing the material breach.

For purposes of the exclusion herein, exclusion shall take effect only after an ALJ decision that is favorable to the OIG. PMT's election of its contractual right to appeal to

the DAB shall not abrogate the OIG's authority to exclude PMT upon the issuance of the ALJ's decision. If the ALJ sustains the determination of the OIG and determines that exclusion is authorized, such exclusion shall take effect twenty (20) days after the ALJ issues such a decision, notwithstanding that PMT may request review of the ALJ decision by the DAB.

4. *Finality of Decision.* The review by an ALJ or DAB provided for above shall not be considered to be an appeal right arising under any statutes or regulations. Consequently, the parties to this CIA agree that the DAB's decision (or the ALJ's decision if not appealed) shall be considered final for all purposes under this CIA and PMT agrees to waive any right it may have to appeal the decision administratively, judicially, or otherwise seek review by any court or other adjudicative forum.

XI. EFFECTIVE AND BINDING AGREEMENT

Consistent with the provisions in the Settlement Agreement pursuant to which this CIA is entered, and into which this CIA is incorporated, PMT and OIG agree as follows:

A. This CIA shall be binding on the successors, assigns, and transferees of PMT, including that in the event that Michael Baker is no longer employed by or has an ownership interest in PMT, this CIA shall be binding upon the successor Chief Executive Officer;

B. This CIA shall become final and binding on the date the final signature is obtained on the CIA;

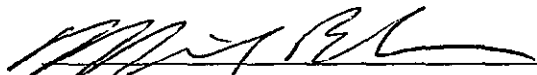
C. Any modifications to this CIA shall be made with the prior written consent of the parties to this CIA; and

D. The undersigned PMT signatories represent and warrant that they are authorized to execute this CIA. The undersigned OIG signatory represents that he is signing this CIA in his official capacity and that he is authorized to execute this CIA.

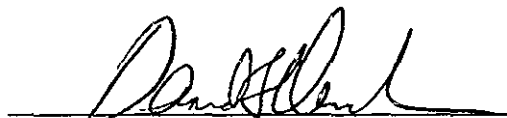
On Behalf of PMT


Michael Baker as CEO of PMT

3-22-00
DATE


Michael Baker in his individual capacity

3-22-00
DATE


David Derickson, Esq.
Derickson Law Offices
3636 North Central, Suite 1050
Phoenix, Arizona 85012
Counsel for PMT and Michael Baker

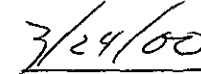
3/22/00
DATE

ON BEHALF OF THE OFFICE OF INSPECTOR GENERAL
OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES



LEWIS MORRIS

Assistant Inspector General for Legal Affairs
Office of Inspector General
U. S. Department of Health and Human Services



DATE